TABLES RELATED TO PROPOSAL TO CAP

THE 1983 INCOME TAX RATE REDUCTION

(CONTAINED IN H.R. 1183)

SCHEDULED FOR A HEARING

by the

COMMITTEE ON FINANCE

ON JUNE 23, 1983

Prepared by the Staff

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Description of Tables

Table 1 shows the joint return rate schedules under present law and the Ways and Means Committee bill for calendar year 1984. This includes the tax rate in each tax bracket and the tax paid by someone whose income is at the lower end of each bracket.

Table 2 shows the levels of income above which the tax cut cap in the Ways and Means Committee bill will apply, both for non-itemizers and for itemizers whose deductions are 23 percent of income. Twenty-three percent is the average itemized deductions claimed in 1981.

Table 3A shows the tax increase from the Ways and Means Committee bill for 1984, relative to present law, for typical taxpayers with various levels of income who do not itemize their personal deductions. These numbers are shown separately for single taxpayers, one-earner couples with zero and two dependents, and two-earner couples with zero and two dependents.

Table 3B is similar to table 3A except that it assumes that taxpayers have itemized deductions equal 23 percent of income.

Tables 4A-4C show the distribution of the effects of the Ways and Means Committee bill for various income classes and types of taxpayers (e.g., single, one-earner couple, two-earner couple). Table 4A shows the number of tax returns affected; table 4B shows the average tax change per return; and table 4C shows the aggregate tax change in millions of dollars.

Tables 5A and 5B compare the tax reductions for 1984 resulting from the 1981 tax cut (net of the tax increases in the 1982 act) with the tax increases from bracket creep and legislated social security tax increases. Three alternative starting dates are used to measure inflation and social security tax increases--January 1, 1980; January 1, 1981; and October 1, 1981. (The later starting date, of course, shows a smaller tax increase from bracket creep and social security tax changes, and hence a larger net tax reduction.) Table 5B also shows what the net tax change would be after the Ways and Means Committee bill.

Table 6 shows the marriage penalty under present law and the Ways and Means Committee bill.

Table 7 shows the aggregate revenue changes for fiscal years 1984-86 resulting from legislation enacted after 1980, as well as from bracket creep and from social security tax changes enacted in 1972 and 1977. The table is limited to

changes in individual income taxes, employment taxes and excise taxes. As with tables 5A and 5B, bracket creep and pre-1981 social security tax changes are measured under three alternative starting dates (with the later dates showing smaller tax increases). Also shown is the projected revenue gain from the Ways and Means Committee bill.

Table 1 - Tax Schedule under Present Law and Under the $700 Cap Proposal for 1984 (Joint Returns)

Taxable income bracket	Tax rate		Tax at beginning of bracket	
	Present law	$700 cap	Present law	$700 cap
0 to $3,400	0%	0%	$0	$0
3,400 to 5,500	11	11	0	0
5,500 to 7,600	12	12	231	232
7,600 to 11,900	14	14	483	483
11,900 to 16,000	16	16	1,085	1,085
16,000 to 20,200	18	18	1,741	1,741
20,200 to 24,600	22	22	2,497	2,497
24,600 to 29,900	25	25	3,465	3,465
29,900 to 35,200	28	28	4,790	4,790
35,200 to 45,800	33	37	6,274	6,274
45,800 to 60,000	38	42	9,772	10,196
60,000 to 85,600	42	46	15,168	16,160
85,600 to 109,400	45	50	25,920	27,936
109,400 to 162,400	49	50	36,630	39,836
162,400 and over	50	50	62,600	66,336

Table 2.--Adjusted Gross Income Levels Above Which a $700 Cap Increases Tax for 1983 and Thereafter

Filing status	Non-itemizer	Itemizer*
Unmarried individual, no dependents	$29,800	$35,714
Joint return, no dependents	$37,200	$43,896
Joint return, two dependents	$39,200	$46,494

* Itemized deductions assumed equal to 23 percent of adjusted gross income.

Table 3A - Comparison of Federal Individual Income Tax Burdens for Nonitemizers for 1984 Under Present Law and Under the $700 Cap Proposal[1/]

Example #	1			2			3			4			5		
Filing status	Single			Joint			Joint			Joint Two-earner[2/]			Joint Two-earner[2/]		
Dependents	None			None			Two			None			Two		
Income	Tax Liability														
	present law	pro-posal	change	present law	pro-posal	change	present law	pro-posal	change	present law	pro-posal	change	present law	pro-posal	change
5000	193	193	0	0	0	0	-500	-500	0	0	0	0	-500	-500	0
10000	915	915	0	539	539	0	291	291	0	504	504	0	261	261	0
15000	1801	1801	0	1261	1261	0	959	959	0	1201	1201	0	907	907	0
20000	2945	2945	0	2101	2101	0	1741	1741	0	2011	2011	0	1661	1661	0
25000	4265	4265	0	3113	3113	0	2673	2673	0	2976	2976	0	2536	2536	0
30000	5773	5781	8	4315	4315	0	3815	3815	0	4128	4128	0	3628	3628	0
35000	7473	7681	208	5658	5658	0	5098	5098	0	5413	5413	0	4853	4853	0
40000	9369	9777	408	7198	7310	112	6538	6570	32	6868	6940	72	6218	6218	0
45000	11369	12002	633	8848	9160	312	8188	8420	232	8477	8744	267	7817	8004	187
50000	13469	14352	883	10608	11120	512	9848	10280	432	10133	10595	462	9426	9808	382
55000	15569	16702	1133	12508	13220	712	11748	12380	632	11986	12643	657	11226	11803	577
65000	20291	21663	1372	16428	17540	1112	15588	16620	1032	15746	16793	1047	14931	15898	967
75000	25091	26663	1572	20628	22140	1512	19788	21220	1432	19841	21278	1437	19001	20358	1357
85000	29935	31663	1728	24828	26740	1912	23988	25820	1832	23936	25763	1827	23096	24843	1747
95000	34935	36663	1728	29250	31636	2386	28350	30636	2286	28181	30449	2268	27281	29449	2168
100000	37435	39163	1728	31500	34136	2636	30600	33136	2536	30375	32886	2511	29475	31886	2411

1/ Computed without reference to the tax tables.
2/ Assumes 25 percent of the combined income is earned by the lesser-earning spouse.

Table 3B - Comparison of Federal Individual Income Tax Burdens for 1984 Under Present Law and Under the $700 Cap Proposal[1/]

Example	1			2			3			4			5		
Filing status	Single			Joint			Joint			Joint Two-earner[2/]			Joint Two-earner[2/]		
Dependents	None			None			Two			None			Two		
Income	Tax Liability														
	present law	pro-posal	change	present law	pro-posal	change	present law	pro-posal	change	present law	pro-posal	change	present law	pro-posal	change
5000	193	193	0	0	0	0	-500	-500	0	0	0	0	-500	-500	0
10000	915	915	0	539	539	0	291	291	0	504	504	0	261	261	0
15000	1572	1572	0	1253	1253	0	952	952	0	1193	1193	0	900	900	0
20000	2392	2392	0	1885	1885	0	1549	1549	0	1795	1795	0	1469	1469	0
25000	3348	3348	0	2596	2596	0	2218	2218	0	2466	2466	0	2106	2106	0
30000	4385	4385	0	3443	3443	0	3003	3003	0	3278	3278	0	2838	2838	0
35000	5540	5540	0	4403	4403	0	3903	3903	0	4184	4184	0	3684	3684	0
40000	6827	6959	132	5434	5434	0	4874	4874	0	5154	5154	0	4615	4615	0
45000	8210	8496	286	6555	6589	34	5952	5952	0	6197	6197	0	5637	5637	0
50000	9673	10113	440	7825	8013	188	7165	7273	108	7413	7551	138	6753	6811	58
55000	11222	11838	616	9096	9438	342	8436	8698	262	8642	8929	287	7982	8189	207
65000	14456	15457	1001	11919	12569	650	11159	11729	570	11302	11887	585	10542	11047	505
75000	17915	19188	1273	14845	15803	958	14085	14963	878	14133	15016	883	13373	14176	803
85000	21611	23038	1427	18045	19311	1266	17205	18391	1186	17153	18334	1181	16313	17414	1101
95000	25307	26888	1581	21279	22853	1574	20439	21933	1494	20282	21761	1479	19442	20841	1399
100000	27155	28813	1658	22896	24624	1728	22056	23704	1648	21846	23474	1628	21006	22554	1548
200000	65585	67313	1728	59170	62836	3666	58190	61836	3646	57700	61336	3636	56720	60336	3616
300000	104085	105813	1728	97600	101336	3736	96600	100336	3736	96100	99836	3736	95100	98836	3736
500000	181085	182813	1728	174600	178336	3736	173600	177336	3736	173100	176836	3736	172100	175836	3736
1000000	373585	375313	1728	367100	370836	3736	366100	369836	3736	365600	369336	3736	364600	368336	3736

1/ Assumes itemized deductions are 23 percent of income.
Computed without reference to the tax tables.
2/ Assumes 25 percent of the combined income is earned by the lesser-earning spouse.

Table 4A - Distributional Effects of $700 Cap Proposal Compared With 1984 Present Law by Filing Status--Returns With Tax Change

(1982 Income Levels; Number of Returns in Thousands)

Expanded Income Class 1/ ($000's)	Joint--Two-Earner			Joint--Other			Single & Head of Household			Total 2/		
	Number of returns with tax change 3/		Percent of taxable returns	Number of returns with tax change 3/		Percent of taxable returns	Number of returns with tax change 3/		Percent of taxable returns	Number of returns with tax change 3/		Percent of taxable returns
Under $10	—		—	—		—	—		—	—		—
10 - 20	—		—	—		—	—		--	12	(0.1%)	4/
20 - 30	—		—	--		—	3	(0.2%)	0.1%	141	(1.7)	0.8%
30 - 40	150	(3.8%)	2.6%	102	(3.9%)	3.5%	620	(45.8)	52.2	904	(11.2)	9.2
40 - 50	1,485	(37.9)	54.3	786	(30.0)	58.4	333	(24.6)	81.8	2,610	(32.3)	58.1
50 - 75	1,563	(39.9)	92.2	1,054	(40.3)	88.6	257	(19.0)	90.8	2,880	(35.6)	90.7
75 - 100	335	(8.6)	94.4	307	(11.7)	93.3	66	(4.9)	85.7	711	(8.8)	93.2
100 - 200	299	(7.6)	93.1	287	(11.0)	88.0	57	(4.2)	81.4	643	(8.0)	89.6
200 & over	86	(2.2)	85.1	79	(3.0)	80.6	19	(1.4)	70.4	184	(2.3)	81.1
Total	3,917	(100.0%)	17.4%	2,616	(100.0%)	13.6%	1,354	(100.0%)	3.9%	8,085	(100.0%)	10.4%

1/ Expanded income equals adjusted gross income plus excluded capital gains and various other tax preference items less investment interest to the extent of investment income.
2/ Total includes married filing separate returns that are not listed elsewhere.
3/ Percentage distribution in parentheses. Number of returns in thousands.
4/ Less than 0.1%.

Table 4B - Distributional Effects of $700 Cap Proposal Compared With 1984 Present Law by Filing Status--Average and Percentage Tax Change

(1982 Income Levels)

Expanded Income Class [1] ($000's)	Joint--Two-Earner		Joint--Other		Single & Head of Household		Total [2]	
	Average Tax Change for Returns Affected	Percent Tax Change [3]	Average Tax Change for Returns Affected	Percent Tax Change [3]	Average Tax Change for Returns Affected	Percent Tax Change [3]	Average Tax Change for Returns Affected	Percent Tax Change [3]
Under $10	—	—	—	—	—	—	—	--
10 - 20	—	—	—	—	—	--	$ 31	[4]
20 - 30	—	—	—	—	$ 4	[4]	135	[4]
30 - 40	$ 43	[4]	$ 45	[4]	125	1.2%	111	0.2%
40 - 50	156	1.3%	156	1.5%	357	3.8	182	1.6
50 - 75	499	4.7	525	4.8	796	6.3	536	4.9
75 - 100	1,260	7.1	1,292	7.2	1,356	6.4	1,284	7.1
100 - 200	2,555	7.6	2,550	7.4	1,819	4.3	2,487	7.2
200 & over	3,655	2.9	3,611	2.7	1,887	0.9	3,448	2.5
Total	$ 643	2.4%	$ 800	2.8%	$ 464	1.0%	$ 654	2.2%

1/ Expanded income equals adjusted gross income plus excluded capital gains and various other tax preference items less investment interest to the extent of investment income.

2/ Total includes married filing separate returns that are not listed elsewhere.

3/ Tax change as a percentage of total positive tax liability within each class.

4/ Less than 0.1%.

Table 4C - Distributional Effects of $700 Cap Proposal Compared With 1984 Present Law by Filing Status--Amount of Tax Change

(1982 Income Levels, dollar aggregates in millions)

Expanded Income Class 1/ ($000's)	Joint--Two-Earner		Joint--Other		Single & Head of Household		Total 2/	
	Amount of Tax Change	Percentage Distribution	Amount of Tax Change	Percentage Distribution	Amount of Tax Change	Percentage Distribution	Amount of Tax Change	Percentage Distribution
Under $10	—	—	—	—	—	—	--	--
10 - 20	—	—	—	—	—	—	--	—
20 - 30	—	—	—	—	—	—	$ 19	0.4%
30 - 40	$ 6	0.2%	$ 5	0.2%	$ 77	12.2%	100	1.9
40 - 50	231	9.2	123	5.9	118	18.8	475	9.0
50 - 75	780	31.0	553	26.4	205	32.6	1,544	29.2
75 - 100	422	16.8	397	19.0	89	14.1	912	17.2
100 - 200	764	30.3	732	35.0	103	16.4	1,600	30.3
200 & over	314	12.5	284	13.6	36	5.7	635	12.0
Total	2,518	100.0	2,093	100.0	629	100.0	5,287	100.0

1/ Expanded income equals adjusted gross income plus excluded capital gains and various other tax preference items less investment interest to the extent of investment income.

2/ Total includes married filing separate returns that are not listed elsewhere.

Table 5A - Aggregate Change in Tax Liability by Income Class from Major Provisions of ERTA and TEFRA Compared to Changes Due to Inflation and Social Security Legislation. Changes Measured for Tax Year 1984. (1982 income levels, millions of dollars)

Expanded income class ($000's) 1/	Combined inflation increases 2/ and changes in social security 3/ (prior to 1983 legislation)			Legislated income tax changes		
	After 1979	After 1980	After 9/30/81	ERTA 4/	TEFRA 5/	NET
Under $10	$5,184	$3,853	$1,735	$-1,961	$9	$-1,952
10 - 20	14,137	10,016	4,638	-9,787	246	-9,541
20 - 30	17,066	12,268	5,834	-15,188	419	-14,769
30 - 40	15,708	11,260	5,411	-14,807	313	-14,494
40 - 50	10,584	7,583	3,769	-10,199	233	-9,966
50 - 75	10,836	7,537	3,727	-10,815	304	-10,511
75 - 100	3,719	2,510	1,248	-4,209	181	-4,028
100 - 200	4,311	2,843	1,416	-6,289	342	-5,947
200 & over	1,728	1,115	552	-6,182	486	-5,696
Total	$83,274	$58,985	$28,328	$-79,437	$2,534	$-76,903

1/ Expanded Income is equal to Adjusted Gross Income plus excluded capital gains and other tax preference items less investment interest paid to the extent of investment income.

2/ Revenue gain from not adjusting personal exemption, zero bracket amount, and rate brackets by 46.0, 28.6, or 14.7 percent. These adjustments correspond to actual and forecasted rates of CPI-U inflation measured concurrently over periods beginning with the date shown and ending with 1984. Revenue gain evaluated against 1979 tax schedules.

3/ Additional employee and self-employed payroll tax from ad hoc increases in the wage base above what would have occurred under indexing (equivalent in 1982 to $3,300 for the two increases that occurred after 1979 and to $1,800 for the single increase that occurred after 1980), and from increases in rates for employees from 6.13 percent to 6.65 percent in 1981 and to 6.7 percent in 1982, and from increases in rates for the self-employed from 8.1 percent to 9.3 percent in 1981 and to 9.35 percent in 1982. Does not include

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Table 5B.--Aggregate Tax Changes for 1984, by Income Class, Net of Tax Increases from Inflation and Social Security (Excluding 1983 Changes), Under Present Law and Under the $700 Cap Proposal 1/

(1982 income levels, dollars in millions)

Expanded Income Class ($000's)	Present law with no changes						Cap the Third Year at $700					
	After 1979		After 1980		After 9/30/81		After 1979		After 1980		After 9/30/81	
Below $10	$3,232	(30%)	$1,901	(16%)	$-217	(-2%)	$3,232	(30%)	$1,901	(16%)	$-217	(-2%)
10 - 20	4,596	(10)	475	(1)	-4,903	(-9)	4,596	(10)	475	(1)	-4,903	(-9)
20 - 30	2,297	(3)	-2,501	(-4)	-8,935	(-12)	2,316	(4)	-2,482	(-4)	-8,916	(-12)
30 - 40	1,214	(2)	-3,234	(-5)	-9,083	(-13)	1,318	(2)	-3,130	(-5)	-8,979	(-13)
40 - 50	618	(2)	-2,383	(-6)	-6,197	(-14)	1,096	(3)	-1,905	(-5)	-5,719	(-13)
50 - 75	325	(1)	-2,974	(-7)	-6,784	(-15)	1,872	(5)	-1,427	(-3)	-5,237	(-12)
75 - 100	-309	(-2)	-1,518	(-9)	-2,780	(-16)	604	(4)	-605	(-4)	-1,867	(-11)
100 - 200	-1,636	(-6)	-3,104	(-11)	-4,531	(-16)	-35	(0)	-1,503	(-6)	-2,930	(-10)
200 & over	-3,968	(-13)	-4,581	(-15)	-5,144	(-17)	-3,332	(-11)	-3,945	(-13)	-4,508	(-15)
Total	$6,371	(2%)	$-17,918	(-6%)	$-48,575	(-16%)	$11,668	(5%)	$-12,621	(-5%)	$-43,278	(-14%)

1/ These figures are the effects of the legislated tax changes shown in the last column of Table 5B minus the figures in one of the corresponding first three columns of that table. The amounts do not include the effects of the 1983 social security legislation. Figure in parentheses is this change as a percentage of net tax liability (tax liability net of inflation and social security increases occurring after the date shown).

Table 6 - Marriage Tax Penalty for Two-Earner Couples Under Present Law and Under the $700 Cap for 1984

Income of husband	Income of wife				
	$10,000	$20,000	$30,000	$50,000	$100,000
$10,000					
Present law.....	$-121	-84	-146	-512	-2,360
$700 cap.....	-121	-84	-146	-496	-2,022
$20,000					
Present law.....	-84	90	388	557	-837
$700 cap.....	-84	90	496	841	-169
$30,000					
Present law.....	-146	388	606	1,110	185
$700 cap.....	-146	496	982	1,662	1,188
$50,000					
Present law.....	-512	557	1,110	2,290	2,007
$700 cap.....	-496	841	1,662	3,018	3,160
$100,000					
Present law.....	-2,360	-837	185	2,007	3,390
$700 cap.....	-2,022	-169	1,188	3,160	3,710

Notes:

The marriage bonus or penalty is the difference between the tax liability of a married couple and the sum of the tax liabilities of the two spouses had each been taxed as a single person. Marriage bonuses are negative in the table; marriage penalties are positive. It is assumed that all income is earned, that taxpayers have no dependents, and that deductible expenses are 23 percent of income and are allocated between spouses in proportion to income.

Table 7 - Aggregate Tax Changes Relating to Individual Income Taxes, Employment Taxes, and Excise Taxes from Legislation Enacted after 1980, Tax Increases from Inflation and Pre-1981 Social Security Legislation, and Tax Increases from the $700 Cap Proposal[1/]

(Billions of dollars)

Tax Changes Relating to Individual Income Taxes, Employment Taxes, and Excise Taxes	Fiscal Year 1984	1985	1986
I. ...from legislation enacted after 1980			
1. ERTA[2/]	$-104.6	-122.0	-152.6
2. TEFRA[2/]	19.5	20.0	20.0
3. Highway Revenue Act of 1982[2/]	3.8	3.9	3.9
4. 1983 Social Security Act[3/]	5.5	7.3	7.0
Total	-75.8	-90.8	-121.7
II. ...from inflation[4/] and 1972 and 1977 social security legislation[5/]			
1. starting after 1979	100.6	128.7	156.6
2. starting after 1980	72.4	98.3	123.8
3. starting after September 30, 1981	28.9	51.5	73.1
III. ...from post-1980 legislation in excess of bracket creep and pre-1981 social security legislation (II minus I)			
1. starting after 1979	24.8	37.9	34.9
2. starting after 1980	-3.4	7.5	2.1
3. starting after September 30, 1981	-46.9	-39.3	-48.6
IV. ...from the $700 cap proposal	6.2	7.1	7.6

1/ The tax change estimates are made under different economic forecasts and should be considered preliminary.

2/ Consistent with 1984 U. S. Budget estimates.

3/ CBO estimates.

4/ Revenue gain from not adjusting the personal exemption, the zero bracket amount, and the rate brackets for concurrent CPI-U inflation. Revenue gain evaluated against 1979 tax schedules.

5/ Additional employment tax from ad hoc increases in the wage base above what would have occurred under indexing, and from increases in FICA and SECA rates. FICA amounts include both employee and employer shares.